

**ASSEMBLY BILL**

**No. 3030**

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**Introduced by Assembly Member Brownley**

February 22, 2008

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An act to add Section 53756 to the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 3030, as introduced, Brownley. Local publicly owned water utility: rate cases.

Articles XIII C and XIII D of the California Constitution generally require that assessments, fees, and charges be submitted to property owners for approval or rejection after the provision of written notice and the holding of a public hearing. Existing law, the Proposition 218 Omnibus Implementation Act, prescribes specific procedures and parameters for local jurisdictions to comply with Articles XIII C and XIII D of the California Constitution. Existing law provides notice, protest, and hearing procedures for the levying of new or increased fees and charges by local government agencies pursuant to Articles XIII C and XIII D of the California Constitution.

This bill would authorize a local publicly owned water utility, as defined, to adopt a multiyear rate schedule establishing water service charges and fees, for a period not to exceed 5 years. The bill would require that the rate schedule be adopted by the governing board of the utility in a public ratemaking case proceeding utilizing the procedures authorized by current law. The bill would require that if the rate schedule includes future cost adjustments for inflation for variable costs, that the adjustments be in lieu of scheduled increases based upon anticipated inflation and that the adjustments be based upon a clearly identified

and recognized inflation measurement formula over which the utility has no control and that notice be given pursuant to existing law of any inflation adjustment, a minimum of 30 days before the adjustment takes effect. The bill would authorize the rate schedule to include future cost adjustments that allow for the passthrough of water commodity costs, in lieu of scheduled increases for anticipated cost increases, if certain circumstances take place.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 53756 is added to the Government Code,  
2     to read:  
3     53756. (a) For purposes of this section, “local publicly owned  
4     water utility” means an entity of local government that provides  
5     water to residential end-use consumers, and may include a special  
6     law water district as defined in Section 861 of, municipal  
7     corporations providing water service pursuant to Section 9 of  
8     Article XI of the California Constitution, a public utility owned  
9     and operated by a municipal corporation pursuant to Division 5  
10    (commencing with Section 10001) of, a municipal utility district  
11    that provides water service organized pursuant to Division 6  
12    (commencing with Section 11501) of, or a public utility district  
13    that provides water service organized pursuant to Division 7  
14    (commencing with Section 15501) of, the Public Utilities Code,  
15    an irrigation district organized pursuant to Division 11  
16    (commencing with Section 20500) of, a county water district  
17    organized pursuant to Division 12 (commencing with Section  
18    30000) of, a water district organized pursuant to Division 13  
19    (commencing with Section 34000) of, a county waterworks district  
20    organized pursuant to Division 16 (commencing with Section  
21    55000) of, or a municipal water district organized pursuant to  
22    Division 20 (commencing with Section 71000) of, the Water Code,  
23    a joint powers authority that includes one or more of these entities  
24    organized pursuant to Chapter 5 (commencing with Section 6500)  
25    of Division 7 of Title 1, or an entity of local government  
26    established pursuant to an uncoded water district act.

1 (b) A local publicly owned water utility may adopt a multiyear  
2 rate schedule establishing water service charges and fees, for a  
3 period not to exceed five years.

4 (c) The rate schedule shall be adopted by the governing board  
5 of the local publicly owned water utility in a public ratemaking  
6 case proceeding utilizing the procedures of Section 53755.

7 (d) (1) The rate schedule may include future cost adjustments  
8 for inflation for variable costs, that are in lieu of scheduled  
9 increases based upon anticipated inflation, and are based upon a  
10 clearly identified and recognized inflation measurement formula  
11 over which the local publicly owned water utility has no control.

12 (2) Notice of any inflation adjustment made pursuant to the  
13 formula shall be provided pursuant to subdivision (a) of Section  
14 53755, a minimum of 30 days before the adjustment takes effect.

15 (e) The rate schedule may include future cost adjustments that  
16 allow for the passthrough of water commodity costs, in lieu of  
17 scheduled increases for anticipated water supply cost increases, if  
18 all the following are true:

19 (1) Water commodity costs incurred by the local publicly owned  
20 water utility vary according to a binding contract with a water  
21 supplier and the cost of water is established by the water supplier  
22 and not the local publicly owned water utility.

23 (2) The local publicly owned water utility makes the terms of  
24 the contract reasonably available to ratepayers for review.

25 (3) The local publicly owned water utility utilizes a water  
26 commodity balancing account, set at a level to cover anticipated  
27 water supply cost increases, in order to moderate fluctuations in  
28 water supply costs.

29 (4) The governing body of the local publicly owned water utility  
30 determines, for an increase in water supply costs, that the balancing  
31 account will be insufficient to pay for the increase in water supply  
32 costs without impairment of the financial condition of the utility.  
33 The governing body of the local publicly owned water utility  
34 determines, for a decrease in water supply costs, that the amount  
35 paid into the balancing account may be reduced without impairment  
36 of the financial condition of the utility.

37 (5) Notice of any water supply passthrough adjustment and of  
38 the determination of the governing board pursuant to paragraph

- 1 (4) is provided pursuant to subdivision (a) of Section 53755, a
- 2 minimum of 30 days before the adjustment takes effect.

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